

Internal Revenue Service

**District
Director**

Department of the Treasury

P.O. Box 1600, GPO Brooklyn, N.Y. 11202

Date: NOV 22 1983

Person to Contact

Contact Telephone Number:

Refer Reply to:

CERTIFIED MAIL

Gentlemen:

We have considered your application for exemption under section 501(c)(4) of the Internal Revenue Code.

The evidence presented disclosed that you were incorporated [REDACTED], under the laws of [REDACTED]. Your purposes, briefly stated are to provide for the maintenance and preservation of the residence lots and common areas within certain real property located in the Town of [REDACTED].

Your membership consists of Class A, Class B, and Class C members. Class A membership is obtained by virtue of owning property in the Planned Development District as created by the Board of Trustees of the Town of [REDACTED] on [REDACTED]. Class B membership may be obtained by virtue of owning property located on the former [REDACTED] farm. Class C membership is not subject to ownership of property. Membership in this class is open to anyone desiring use privileges in the common areas of the [REDACTED]. Presently you have [REDACTED] Class A members, [REDACTED] Class B member and no Class C members.

Your activities consist of the maintenance of common areas for the use and enjoyment of the members, members' families and friends. The general public may use the common areas when they are guests of a member or when granted permission by the Board of Directors.

Section 501(c)(4) of the Internal Revenue Code grants exemption to "civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare ..."

Section 1.501(c)(4)-1(2) of the Income Tax Regulations extends to civic organizations which are "operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community..."

Revenue Ruling 74-99, 1974-1 C.B. 131 states that a homeowners' association must, in addition to otherwise qualifying for exemption under section 501(c)(4) of the Code, satisfy the following requirements: (1) It must engage in activities that confer benefit on a community comprising a geographical unit which bears a reasonably recognizable relationship to an area ordinarily identified as a governmental subdivision or a unit or district thereof; (2) It must not conduct activities directed to the exterior maintenance of private residences; and (3) It owns and maintains only common areas or facilities such as roadways and parblands, sidewalks and street lights, access to, or the use and enjoyment of which is extended to members of the general public and is not restricted to members of the homeowners' association.

Based on the evidence presented, it is held that you do not qualify for exemption under 501(c)(4) of the Internal Revenue Code. Although your organization appears to meet some of the requirements of a homeowners association, you do not fulfill the requirement that access to the common areas must be open to the general public, and not limited to members or their guests. Your organization is not operated exclusively for promoting in some way the common good and general welfare of the people of the community, but is serving primarily the interests of your members.

You are required to file a taxable return Form 1120 or 1041 with the District Director of Internal Revenue Service. Please send the return to the Internal Revenue Service, P.O. Box 1680, General Post Office, Brooklyn, NY 11202.

If you do not agree with the determination, you may request a Conference with the Regional Director of Appeals by protesting in accordance with the enclosed instructions within 30 days.

Protests submitted which do not contain all the documentation stated in the instructions will be returned for completions.

Sincerely yours,

[Redacted Signature]

District Director

Enclosure: Publication 892